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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 004318

SIPDIS

STATE FOR NEA/ARPI SWALKER, LONDON FOR LTSOU, JEDDAH FOR
AMBASSADOR JEFFREY AND MAGGIE HABIB

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SUBJECT: KUWAIT FUND CLARIFIES STATUS OF GOK ASSISTANCE TO
IRAQ

REF: KUWAIT 3850

Classified By: Deputy Chief of Mission Matthew Tueller. Reasons 1.4 (b)
) and (d)

[1](#)1. (C) Summary. In a meeting with Econ Counselor on October 3, the Kuwait Fund's Regional Manager for Arab Countries reaffirmed the \$1.575B in reconstruction assistance the GOK has allocated for Iraq, noting that \$1B had been disbursed prior to 2003 and that the remaining \$575M (in new funds) will be disbursed through concessionary loans (\$440M) perhaps for power projects and humanitarian grants (\$125M---\$5M of which has already been disbursed to the Humanitarian Operations Center) for health, education, and other projects (Note: separately the GOK contributed \$10M to the UN's International Reconstruction Fund Facility for Iraq). Al-Ghanem complained that changes in Iraqi priorities and lack of responsiveness on project specifications had contributed to disbursement delays, noting that while the offers were still valid, the GOK was concerned with oversight modalities in Iraq for such large funds given the country's unstable security situation. End Summary

[1](#)2. (SBU) Econ Counselor met on October 3 with Marwan Abdullah Al-Ghanem, Regional Manager for Arab Countries at the Kuwait Fund for Arab Economic Development (KFAED), the GOK's main development assistance agency, to seek clarification on the status of outstanding GOK development assistance to Iraq. Al-Ghanem reaffirmed Embassy's figures identifying a total of \$1.575 billion in GOK assistance to Iraq based on Madrid Conference pledges in 2003 and renewed offers by the GOK.

[1](#)3. (SBU) Al-Ghanem summarized the assistance details as follows. He explained that in addition to the \$1 billion already expended in support for Iraq prior to the Madrid Conference, the Council of Ministers (cabinet) had decreed to allocate \$575M in assistance to Iraq in the following manner:

- \$5 million grant for the GOK's Humanitarian Operations Center (HOC) (all funds disbursed)
- \$30 million grant for school construction in Basra region (funds not yet disbursed)
- \$30 million grant for hospital construction in Basra region (funds not yet disbursed)
- \$60 million grant for other humanitarian projects, possibly power projects (funds not yet disbursed)
- \$440 million concessionary loans for power sector projects (funds not yet disbursed)
- \$10 million for UN IRFFI (all funds disbursed)

[1](#)4. (C) Al-Ghanem lamented that funds for school and hospital construction had not been disbursed, despite the signing of an MOU in March, because the ITG had been slow in providing site locations and project specifications. He pointed out that the Iraqi Planning Minister is the new ITG lead on reconstruction assistance coordination with the GOK. He said that information on schools had finally been received last week and that Kuwaiti consulting firms were in the process of bidding on the project as part of a joint venture with Iraqi firms. Al-Ghanem expects a final contract for school construction to be signed by April 2006. Al-Ghanem added that the GOK was still working on defining the oversight modalities for the project, citing difficulty in managing such large budgets in Iraq's unstable operational environment. In an effort to limit the GOK's liability exposure, Al-Ghanem said that KFAED "made it clear to consulting firms" that the GOK could not be held liable for any losses incurred as a result of agreements signed between Kuwaiti firms and Iraqi authorities for projects in Iraq.

[1](#)5. (C) With regard to the \$30M for hospital construction, Al-Ghanem said that following Iraqi Prime Minister Jaafari's April visit to Kuwait, the ITG had changed its priorities and wanted the funds used for constructing mobile hospitals instead of the surgical complex in Basra, as originally planned (Note: see reftel for Kuwait Fund Director General's discussions with Ambassador on this issue.)

[1](#)6. (C) Al-Ghanem explained that the additional \$60M grant would go toward funding health, education or power projects. Al-Ghanem pointed out that the ITG was eager to have the \$440M in loans allocated toward the construction of a large

power plant in northern Iraq (total cost estimated at \$850M). According to Al-Ghanem, the Iraqi proposal was rejected by the Kuwait Fund's Loan Committee on October 1 and the Kuwait Fund has been mandated to allocate the loan funds to more than one power sector project. Al-Ghanem suggested that the Kuwait, Arab, Saudi and Abu Dhabi Funds' combined could not fund more than half the \$850M total project cost.

Bio Note

17. (C) Al-Ghanem attended the University of Portland in Oregon and speaks English very well. He described himself as solidly pro-U.S. and enjoys traveling to the United States, having returned recently from a cross-country trip. He considers it in Kuwait's best interest to stabilize Iraq and support the U.S. effort. However, he appeared frustrated and was hesitant about discussing his apparent frustrations in dealing with Iraqi counterparts. Al-Ghanem attended the recent annual IMF/WB meetings in Washington. As KFAED Regional Manager for Arab Countries, he is responsible for all Arab states except Libya, Saudi Arabia, and Qatar.

LEBARON